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The Wage Gap vs. the Total Compensation Gap

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The Wage Gap vs. the Total Compensation Gap

Some compensation professionals have focused like a laser on inequitable wage gaps, but what about total compensation gaps?

Clearly, most organizations seek to have fair and objective pay practices. And, as a check, they sometimes take a data-driven look inside their companies to consider whether employees of different demographic characteristics (most notably gender, race or ethnicity) are paid similarly or if there is some pay gap. But most organizations only consider wages or salaries in looking for

such gaps. Existing research on pay preferences, however, shows that employees can value differently different kinds of pay (see the November 2013 “Research for the Real World”). This means employers may very well be missing something.

Estimating Total Pay

Employers are not the only ones to focus their analysis of pay gaps on wage and salary data. Most economists who study such pay gaps have almost exclusively examined wage and salary pay, not total compensation — the former data are readily available and the latter are not. There are many massive demographic surveys of individuals which record, along with wage and salary earnings, information on individuals’ schooling, gender, race, work hours, occupation, geographic location, etc. — all important factors in the pay gap analysis. These surveys are not very helpful, however, when it comes to obtaining data on total rewards.

One way to get around this data constraint is to use detailed occupational codes to merge data from a large national demographic survey on individual people — such as the U.S. Bureau of Labor Statistics’ (BLS) American Community Survey (ACS) — with detailed data on compensation by occupation found in official surveys of business establishments (e.g., the BLS’s “Employer Costs for Employee Compensation (ECEC)” survey). While this is easier said than done, it is doable, and worth the effort for the potentially interesting insights revealed.



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Total Compensation Gaps by Disability Status

My research has recently focused on pay equity between individuals with disabilities and those without. A new generation of veterans with service-incurred disabilities, aging Baby Boomer demographics and the recently announced federal contractor rules regarding individuals with disabilities, make focusing on workplace equity for this population a timely concern.

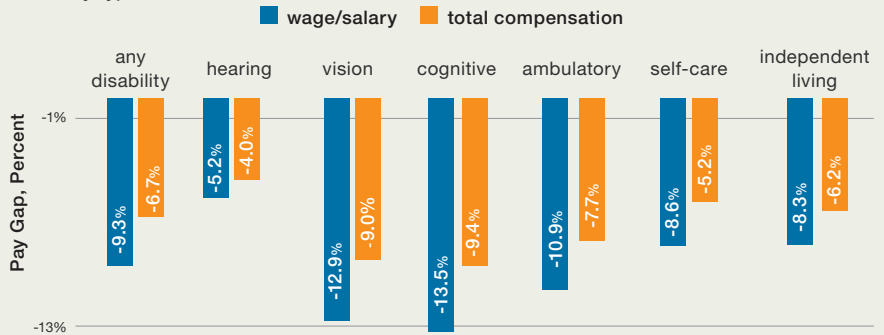
In a recent paper with two colleagues from the Institute for Compensation Studies at Cornell (Kevin Hallock, Xin Jin and Linda Barrington, “The Pay Gap and the Total Compensation Gap by Disability Status,” working paper, September 2013), we explored pay gaps for individuals with disabilities, framing pay as broadly as we could. We used the dataset merging technique mentioned above, merging the ECEC data with four large national survey datasets, to measure the difference between wage/salary gaps and total pay gaps by disability status. So that I don’t get carried away by my own enthusiasm over the data crunching details, I’ll tell you only about a few major findings from the analysis of full-time male workers using data matched between the ACS and ECEC.

One could imagine that there might be a difference between the wage/salary gap and the total compensation gap for individuals with disabilities if they value, on average, certain benefits more and seek out employers who compensate employees with a larger share of those benefits in the pay mix. In such a case, any measured pay gap that included benefits should be smaller than any measured pay gap that excluded benefits. And this is exactly what the results of our study showed.

Figure 1 summarizes some of our results from ACS data on just under one-quarter million people. It shows that using the more conventional method of considering wage/salary gaps (and controlling for schooling, experience, race, marital status and occupation), full-time male workers with any disability earn about 9.3 percent less than full-time male workers without

Figure 1 Wage/Salary Pay Gap vs. Total Pay Gaps by Disability Status

Gap between pay of full-time male workers with a disability and those without, by disability type



Notes: Estimates for full-time male workers in 2009 ACS, controlling for schooling, experience, race, marital status and occupation, by disability type. This research was funded in part by the U.S. Department of Education through a grant from the National Institute on Disability and Rehabilitation Research (NIDRR grant No. H133B100017). The contents do not necessarily represent the policy of the Department of Education, and one should not assume endorsement by the federal government. This research was conducted with restricted access to U.S. Bureau of Labor Statistics (BLS) data. The views expressed here do not necessarily reflect the views of the BLS.

Source: Kevin F. Hallock, Xin Jin and Linda J. Barrington, 2013, “The Pay Gap and the Total Compensation Gap by Disability Status,” working paper, Cornell University.

a disability. But controlling for the same characteristics, the total compensation gap is smaller by one-third — closer to 6.7 percent. Figure 1 shows that no matter the specific measure of disability, for this sample, the estimated percentage wage/salary gap is consistently larger than the estimated percentage total compensation gap.

Implications

In one sense, our results may suggest that employees can enter the labor market and make choices based on pay mix preferences — sorting themselves into organizations where their own values most closely match the pay mix offered by their employers. These results may also suggest that employers who want to recruit individuals with disabilities more actively could review their pay mix in this context.

On the other hand, the persistent pay gap we find for individuals with disabilities, even after total compensation is addressed, sends a worrisome signal. Further workplace research on equitable outcomes and inclusionary practices is needed here. **WE**

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WorldatWork would like to congratulate WorldatWork Association Board members Kevin Hallock and Mike Davis on their induction into the National Academy of Human Resources in November 2013. The National Academy of Human Resources recognizes individuals of distinction in human resources for exceptional professional achievement.



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